SEWA Banascraft Project:

A Case Study in Rural Marketing

MICROENTERPRISE BEST PRACTICES
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by

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CHAPTER ONE
INTRODUCTION

This paper assesses the utility and relevance of the business development services (BDS) performance measurement framework (PMF) by means of a case study of Banascraft, a BDS project in India. The attempt to apply the framework to an existing program helps illuminate several current issues in BDS.

What kinds of performance measurements can best help donors and practitioners assess the effectiveness of BDS programs designed to assist small, micro-, and medium-sized enterprises (SMEs)? The answer to this question depends on the goals that donors and BDS suppliers hope to achieve and the directions in which they wish to go with BDS. Although there is a consensus that improved sustainability, outreach, and impact are central aims, the means of achieving them has occasioned considerable debate. One major controversy from the donor's perspective concerns the appropriate focus for interventions—is it more important to improve the performance of particular organizational partners (organizational development) or to pursue the broader goal of improving the overall functioning of markets (institutional/market development)? Although donors traditionally have followed the organizational approach toward BDS, in recent years the BDS field has increasingly gravitated toward the latter goal of stimulating private-sector markets,[1] and the PMF has been explicitly designed with the overarching goal of developing the BDS market.[2]

In some respects, organization- and market-oriented approaches may be seen as fundamentally opposed. The organizational approach by its very nature encourages donors to view the market from the perspective of specific BDS suppliers, which naturally seek to dominate the market for their goods and services. From the standpoint of institutional or market development, however, the dominance of a single BDS provider or a small number of BDS organizations runs contrary to the donor's central goal of developing vibrant and competitive, primarily private-sector markets (Gibson, July 1999). Thus, the market development paradigm seeks to foster competition between many BDS providers, with the expectation that the least-efficient and least-in-demand competitors will fail.

Dichotomizing the organizational and institutional approaches helps to highlight important issues and controversies in the field of microenterprise development, but at the risk of oversimplifying the debate. The dichotomy begs further conceptual questions. First, is the market-centered approach currently the only viable one? If we answer no, we must consider circumstances in which the supplier-focused model may remain the more appropriate or desirable strategy. A second conceptual question is whether there is a necessary dichotomy between the two approaches at all. If organizational and market development are not truly mutually exclusive, in what ways might they complement or overlap with each other?

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[1] The market development paradigm and the ways in which it differs from other types of BDS interventions are described in Gibson, July 1999.

[2] McVay, September 1999.

The example of the Banascraft Project in western India provides some valuable insights into the debate about organization- versus market-centered BDS, as well as some general lessons about the applicability of the PMF to different types of BDS organizations.

Banascraft is designed to help poor rural women in the desert Banaskantha District in the state of Gujarat to improve their standard of living by selling their traditional handicrafts. The Self Employed Women's Association (SEWA), which initiated the project, provides help to local craftswomen in the areas of social support and organization as well as product design, manufacture, and marketing. The project presents a case study of how a nonprofit organization provides BDS for entrepreneurs in a sparsely populated region in which existing product markets and distribution networks are poorly developed.

BACKGROUND

The Banaskantha District lies to the southeast of Pakistan, between the Indian state of Rajasthan and the desolate area of northern Gujarat known as the Rann of Kutch. The area has a dry, hot climate and saline soil. Local agriculture is rain fed, and frequent droughts and famines afflict the area. The level of socioeconomic development in Banaskantha is low, with literacy and child-mortality rates among the worst in Gujarat. Members of Banascraft claim that, before the project began, the women artisans in the area were not producing traditional handicrafts for the market on a regular basis, and those who did sell their crafts relied on local traders, who took the bulk of the profits. Agriculture and cattle breeding provided the primary, if uncertain, livelihood for local people, who were forced to migrate in search of work during lean periods.

The Banascraft program aims to empower the craftswomen of Banaskantha by allowing them to earn a livelihood by making handicrafts.[3] The program is designed to help them work for their collective benefit to improve the socioeconomic position of artisans and their families. The project started in 1989 with the formation of groups of local women into the Banaskantha DWCRA Mahila SEWA Association, allowing the women to organize on the basis of traditional craft specialization.[4] Different caste and tribal groups in specific villages in the *talukas* (subdistricts) of Radhanpur, Santalpur, Harij, Diyodar, Tharad, and Kanakre produce particular types of textile-related crafts, including embroidery, mirror work, patch work, weaving, and bead work.

Banascraft provides a broad, integrated range of overlapping business development services, which are divided into four broad areas for purposes of analysis:

1. **Organization and capacity building:** assisting women to form village craft groups, pool their financial resources, and integrate the groups into the larger Banascraft organization;

[3] The information about Banascraft comes from several sources. Most of the information was provided to the author during several visits to the Banascraft offices in Ahmedabad and on a one-day tour of Banaskantha District in December 1999. Other information came from Nanavaty, 1994, June 11-12, 1997, and 1998.

[4] An acronym for a state government program called Development of Women and Children in Rural Areas.

helping members access government services; and encouraging participation in appropriate government programs.

2. **Product development:** helping craftswomen to use new manufacturing techniques, designs, and raw materials.

3. **Training:** teaching and upgrading both business and technical skills to improve efficiency and commercial competitiveness.

4. **Marketing:** Banascraft's core service, involving the provision of market information, linkages, and transport services.

In addition, Banascraft offers programs to help women with health, housing, and other basic social needs. These services cannot strictly be classified as business development services, although they probably benefit the women's business activities indirectly.

In designing the program, SEWA moved away from the cooperative model that had been used in other development schemes, preferring a less formal approach that would be more adaptable to the heterogeneous craft industry of Banaskantha, for which no cooperative organization had existed for supervision and auditing. Instead, SEWA began working through the DWCRA program, which was more flexible and allowed women to be organized according to their craft specialization.

The process of organization under Banascraft begins when a group is registered with the DWCRA and its members are required to start a joint bank account. The account allows them access to a revolving fund of 15,200 rupees (approximately US$360), which is released to the group members by the *taluka panchayat* (subdistrict council) to fund their craft activities. The group's chosen leader and selected other members then undergo training in purchasing raw materials (which gives them exposure to the supply side of the market), processing (including activities such as cutting, stitching, and printing), and distributing the semiprocessed materials among the group. SEWA's Craft Development Centre provides raw materials at reasonable prices, along with a variety of free business training. A voluntary craft organization called Dastakar gives Banascraft support in product design and development.

Banascraft then helps the women in marketing their finished crafts. Banascraft's staff works in cooperation with members to distribute and sell their goods outside the district. Several thousand craftswomen are involved in craft production and manufacturing through Banascraft, but only a fraction of these market their goods on a regular basis through the program. One reason for this lies in the standards Banascraft imposes, which limit the number of women whose handiwork is deemed marketable by the organization. The products are rated according to their salability, with "A" ratings for those of high enough quality to fetch full price, "B" ratings for marketable but lower-quality goods, and "C" ratings for goods that are unfit for the market.

Currently, 62 village groups (out of a total of 152 registered groups) market their goods through the Banascraft program every month. Sixty-five percent of sales go directly to artisans, Banascraft takes 10 percent to cover the cost of marketing, and the rest goes to cover raw materials and other expenses.

Banascraft helps craftswomen market their products both locally and in urban markets in India and abroad, through retail and wholesale channels. The crafts are marketed through the Banascraft store in Ahmedabad (Gujarat's largest city, where SEWA is headquartered) and through Dastakar, which runs a shop in Delhi and also sells through bazaars and exhibitions. Craftswomen show their wares at festivals and trade shows. These include exhibitions in Indian cities such as Delhi, Chennai, Mumbai, Bangalore, and Pune. Several women recently attended trade shows in France and are planning to visit New York for an upcoming craft show there. In 1998, they sold US$15,800 worth of embroidered handicrafts at exhibitions alone. Banascraft also promotes its members' crafts through customer discounts, print advertising, television commercials, special festival promotions, and exhibits in major hotels and tourist destinations. In each case, Banascraft acts to facilitate sales in exchange for its 10-percent share of the final selling price.

Even more important than the commercial benefits offered by Banascraft, its organizers believe that its activities liberate women from many of the social and political constraints they have traditionally faced, giving them greater self-esteem and control over their lives. In the process of producing and marketing their goods, the women can earn a livelihood at the same time they preserve their long-standing craft traditions. They learn to deal with businesspeople, government officials, and others beyond the boundaries of their localities. The Craft Development Centre helps them maintain their artisan traditions by documenting indigenous motifs and collecting samples of 400 different types of traditional crafts.

As part of its broader mission to uplift local women, Banascraft provides other social supports as well, making it easier for women to provide necessities for their families and reducing the migration rate among local villagers seeking outside jobs. Because the women work at home, the organization provides them with loans to upgrade their mud houses, allowing them to buy larger, better-constructed homes and expand their available work space. Banascraft also helps facilitate access to health- and child-care services that women are entitled to through government programs for the poor.

CHAPTER TWO
THE BDS PERFORMANCE MEASUREMENT FRAMEWORK

This paper evaluates the Banascraft Project using the PMF, and, by extension, evaluates the utility of the PMF itself. The exercise can help to answer several interrelated questions. The central issue—the usefulness of the PMF in evaluating Banascraft—begs further questions related to the role of the PMF in fostering organizational and/or market development. For example, How much utility does the PMF hold for donors in evaluating current or potential funding recipients? How can the PMF help BDS organizations evaluate their own operations? What can the PMF reveal about an organization's impact on the larger BDS market of which it is part? Can the PMF be used to reveal any circumstances in which organizational development should take priority over market development? Finally, Does the Banascraft test case suggest any way that the PMF itself can be modified and improved?

This case study was conducted over four days in December 1999. Prior to the author's visit at that time, the Banascraft staff was given the paper "Measuring the Performance of Business Development Services for Small Enterprises" (McVay, September 1999) and the PMF itself. The indicators for the PMF were evaluated following several meetings with Banascraft staff in Ahmedabad and a daylong tour of Banascraft operations in Banaskantha District.

For the sake of practicality and ease of quantification, the structure and definition of Banascraft, its operations, and its market were simplified for the PMF. Banascraft was assumed to be the "BDS provider," and each of the village craft groups to which it provided services was considered a single SME. The BDS market was defined in the same way that Banascraft identified its target population of BDS consumers: the population of poor craftswomen in Banaskantha District.

For purposes of the PMF, the types of BDS provided by Banascraft may be broken down into the four categories of assistance described in the preceding chapter. Of these, two types of BDS were available before the implementation of the program: training took place within the village and the household, with young girls learning manufacturing techniques and traditions from their elders; and traders provided limited marketing BDS.

The years compared in the PMF correspond to Banascraft's fiscal year (April 1 through March 31 of the following calendar year). Monetary values were computed in U.S. dollars according to the rupee value at the end of each fiscal year.

Lack of sufficient financial data for many areas of the Banascraft program precluded concrete calculations for many of the indicators related to sustainability, cost-effectiveness, and project impact. However, statements from various staff members and craftswomen provided a basis for some of the qualitative responses regarding these indicators.

All Banascraft members must also be members of SEWA, paying an annual membership fee of five rupees (about US$.125). Banascraft charges directly for only one of its services, that

being marketing. As alluded to earlier, the organization takes 10 paisa for every rupee that women's textiles fetch on the market (equivalent to a 10-percent commission). Because this is the one element of BDS that can be accurately quantified, and because it represents the most important single service provided by Banascraft, marketing is the BDS category used as the indicator for BDS market development under the BDS program's first goal, increasing BDS service outreach (Table 1). If Banascraft's contention that virtually no craftswomen in recent years have used traders to market their goods is true, then Banascraft for all intents and purposes represents the only BDS supplier for these women in Banaskantha District.

The market for women's crafts before the Banascraft program was very limited, and the amount paid by traders compared with the price they resold the goods for was very small. One woman reported being paid 35 rupees for a wall hanging that brought 200 rupees on the market. If this is true, the trader's markup was almost 575 percent. It is therefore hardly surprising that, even though Banascraft does not require women to use its marketing services, local women choose to market through the organization and not through private traders.

One of the few PMF objectives for which obtaining data was relatively straightforward was providing underserved groups with access to BDS under the Banascraft program. All the craftswomen in the program clearly fit into this category. SEWA focuses on helping the same underserved groups that are given priority by many donors—poor women—and it employs a straightforward procedure for determining and verifying the women's eligibility in Banascraft. SEWA helps the rural women of Banaskantha and their *gram panchayats* (village councils) prepare a list of members in their communities who possess the appropriate craft skills; SEWA then develops a short list of women who are officially classified as BPL (below poverty line).

Rather than reporting actual numbers of women as BDS customers, the quickest and most practical means of assessing the indicators of market size and number of customers served was to enumerate village craft groups (treating them, in effect, as SMEs for purposes of the PMF), which were easy to quantify. According to Banascraft, 152 villages, or all the communities inhabited by the women who produce traditional textiles in Banaskantha District, are part of the Banascraft program. Of the 152 village craft groups, however, only 62 market their products through Banascraft regularly. (These statistics were used for many of the market development indicators in Table 1.)

Because thorough accounting data were not forthcoming, it was not possible to calculate many of the indicators for the BDS program's second goal, attaining BDS sustainability and cost-effectiveness (Table 2), or its third goal, assessing BDS impact (Table 3). The indicators for market distortion and sustainability were particularly problematic because, though Banascraft's marketing fee seems to cover most program expenses, the ultimate degree of subsidy for the program is difficult to determine. According to several Banascraft staff members, the program is now self-sustaining and is not seeking or receiving any outside funding. As explained in the next chapter, however, there may be some degree of indirect cross-subsidy through government programs and SEWA assistance from outside Banascraft. Therefore, in the absence of concrete data, the tables below describe recent subsidies as "minimal" and sustainability as "almost 100 percent."

No rigorous, quantitative method for measuring client satisfaction was feasible because no time remained in the field study to conduct a substantive survey and because Banascraft could not provide such information. Based only on the evidence of the continuing involvement of local craftswomen and their enthusiastic comments on the short field survey, client satisfaction can be rated as “high.”

Table 1: Goal 1—Increase Outreach (Scale and Access)

BDS Market Development Indicators

		Market		Program	
Objective	**Indicator**	**1997-1998**	**1998-1999**	**1997-1998**	**1998-1999**
Expand the BDS market	Market size: number of women's groups regularly marketing crafts	N/A	N/A	62	62
	Craftswomen's sales: Banascraft's "commission" on craft sales by women's groups	N/A	N/A	US$7,100	US$8,316
	Market penetration: percentage of potential women's groups in Banaskantha regularly utilizing marketing services	N/A	N/A	41%	41%
Develop a high-quality, diverse, competitive market	Number of regular BDS providers	1	1	1	1
	Number of BDS products	2	2	4	4
	Well-distributed, wide price range for BDS services	No	No	No	No
	Average price for BDS	N/A	N/A	10% of cloth sale price	10% of cloth sale price
	Number and percentage of multiple-use customers in the market	N/A	N/A	62 (41%)	62 (41%)
	Market distortion: average subsidy content of BDS services	N/A	N/A	Minimal	Minimal
Increase access of underserved Groups to BDS	Extent of access: number and percentage of BDS customers representing poor craftswomen in Banaskantha District	N/A	N/A	152 (100%)	152 (100%)
	Target market penetration: number and percentage of potential groups of poor craftswomen reached in Banaskantha District	N/A	N/A	62 (41%)	62 (41%)

Table 2: Goal 2—Sustainability and Cost-Effectiveness

Assessing BDS Suppliers

		Market		Program	
Objective	**Indicator**	**1997-1998**	**1998-1999**	**1997-1998**	**1998-1999**
Achieve supplier sustainability	Recovery of operational costs from client fees	N/A	N/A	Almost 100% (?)	Almost 100% (?)
Improve program cost-effectiveness	Simplified cost/benefit assessment comparing total program costs with aggregate program benefits to women's groups	N/A	N/A	?	?
	Total cost per group served	N/A	N/A	?	?
	Total cost per supplier assisted	N/A	N/A	N/A	N/A
	Total cost per increase in revenue	N/A	N/A	?	?

Table 3: Goal 3—Impact

Assessing BDS Customers, SMEs

		Market		Program	
Objective	**Indicator**	**1997-1998**	**1998-1999**	**1997-1998**	**1998-1999**
Increase customer acquisition of BDS	Customer satisfaction with marketing service	Low	Low	High	High
	Number of repeat customers	N/A	N/A	62	62
Increase customer use of BDS	Customers' gross sales through Banascraft	N/A	N/A	$71,000	$83,163
Increase customer benefits from BDS	Change in value added (craft sales, raw materials)	N/A	N/A	?	?

CHAPTER THREE
REVIEW OF INDICATORS AND BEST PRACTICES INFERENCES

METHODOLOGICAL CHALLENGES

There were two major challenges in carrying out the Banascraft case study: first, obtaining and evaluating the types of information required and, second, translating this information into a form appropriate for the PMF. These problems are related to the general question of who should be gathering the data and how the data should be evaluated. Given the wide variety of BDS programs, what types of data are relevant to which types of programs, and how encompassing can (or should) the PMF table be?

Data for the PMF can be gathered by donors or their contractors, on the one hand, or by BDS suppliers and practitioners on the other. Various costs and benefits are associated with either approach. By gathering information directly, donors can obtain the kind of data they want and can feel more confident of the information's reliability and validity. In many cases, however, they are prohibited by shortages of time and money (as in this study).

In most cases, donors will be forced to rely at least in part on data provided by the BDS organizations themselves. As noted in the guide for preparing the PMF case studies (McVay, September 1999), an appropriate division of labor might consist of data collection about wider markets on the part of donors, with individual providers providing outreach data. Those practitioners depending on grants would have a clear interest in obtaining PMF data if they believed that donors were concerned with these indicators. Furthermore, if practitioners could be convinced of the value of the PMF for evaluating and improving their own operations, they would also be motivated to collect the information for their internal use. The collection of data by organization insiders, however, raises concerns about bias. Because insiders might be tempted to distort or suppress data to present a positive image of their organization to outsiders, some sort of independent measure of reliability would be desirable.

From a donor's viewpoint, having BDS suppliers collect data themselves also poses problems of quality control. Judging by the data they were able to supply for this case study, for example, it appears Banascraft, like many other BDS organizations, does not maintain records up to the standards of transparency, thoroughness, or rigor that most donors prefer. As reflected in the tables below, the inadequacies of quantitative data for many of the indicators about Banascraft (particularly the categories under goal 2 [Table 5] and goal 3 [Table 6]) meant that the PMF could not be completed with any thoroughness.

The second problem—fitting data collected into the PMF categories—had no easy solution. In Banaskantha and other rural areas where markets are poorly developed and not highly differentiated, the markets for skills, raw materials, training, and finished handicrafts overlap. In an organization like Banascraft, the craftswomen often act as owners and managers as well as producers. Distinctions between categories of BDS and between facilitators, providers, and SMEs are therefore difficult to draw. Any attempt to separate different types of BDS into

discrete categories, while potentially useful, is bound to be somewhat artificial. In some cases, the author encountered several different ways data could have been translated into the appropriate categories. Each solution had particular merits and drawbacks; none was ideal.

After discussions with staff from the Banascraft office in Ahmedabad, it was decided to treat each village group as an SME. Although calling these groups "enterprises" is somewhat artificial in the sense that they do not perform all the functions of true business firms, this way of defining them proved useful in terms of the PMF for several reasons:

- Between the level of Banascraft as a whole and the families of the individual craftswomen they serve, these groups are the most significant socioeconomic organizations. As in the past, decision making and governance among craftswomen takes place at the level of the village council. Banascraft administers training, organizational, and marketing activities through the village groups and their leaders and keeps records of these activities.

- Because all village groups are registered with DWCRA, they are easily quantified.

- The average size of the groups (12 women) falls easily within the typical size definitions of SMEs.

One alternative way of looking at the situation, at least with regard to certain types of BDS, would be to analyze Banascraft as a facilitator and the women's groups as BDS providers serving individual craftswomen. Each women served could then be regarded as an SME (that is, a self-employed business owner). However, this would pose more problems than it would solve, in part because of the informal nature of the BDS provided within village groups. For example, Banascraft documents the number of annual skill-upgrading training sessions it conducts (15 per year in 1997-1998 and 1998-1999) and the number of craftswomen who attend. However, the women at the Banascraft trainings go on to train others in their villages or in neighboring villages, and this training is not as well documented and so would be more difficult to measure.

Using the PMF to Assess Market Development and Sustainability

How useful is the PMF in achieving the goals of measuring market development and BDS sustainability? In the case of Banascraft, some of these measures, such as the number of BDS competitors, are very easy to determine, because the market for BDS in Banaskantha District is so limited. They reflect the fact that Banascraft is, for the most part, the only viable BDS market provider to craftswomen in Banaskantha. As such, these indicators are relevant and practical in this case.

Several indicators are more problematic, including those for evaluating the amount of subsidy to Banascraft and the program's overall sustainability and market impact. Although its staff claims that Banascraft is currently almost entirely self-sustaining, it does not appear wholly so when viewed in the long term. The program has not been self-sustaining in the

past, it currently benefits from various indirect forms of assistance and subsidy, and it will not necessarily be sustainable in the foreseeable future.

To what extent does Banascraft contribute to the functioning of a competitive market? The answer to this question is mixed. Banascraft has certainly contributed to the dynamism and competitiveness of local craftswomen's groups. Not only have the artisans begun to sell more of their crafts to outside buyers since the program began, but the local craft economy has become more differentiated and better integrated. Some DWCRA groups have developed better expertise in related areas, such as dyeing, printing, and tailoring, and both forward and backward linkages are being fostered between local craftswomen as these cloth-processing activities are integrated into the local craft economy as a whole.

The traders connected with the local craft industry have also been indirectly affected. Before the program began, women occasionally sold their handicrafts to local traders. As noted earlier, these traders took a higher commission than Banascraft currently charges for marketing. Banascraft has put many of these traders out of business, and those who remain must pay higher prices for the goods than before. Some craftswomen can earn double what they once did. "Now, we compete with the trader," one women noted. Suppliers of raw materials to the artisans have also benefited, presumably, because women's demand for supplies of cloth and other inputs has grown along with the demand for their handicrafts. Therefore, even though the numbers of agents buying the women's end products has declined, this has probably been counterbalanced by an increase in the number of traders in raw materials.

Past donor funding and government assistance has helped Banascraft establish itself and expand its program. SEWA used the government's DWCRA program to help women organize themselves into the village craft groups that form the foundation of the Banascraft program. Banascraft's efforts were also supported by the government's Training for Rural Youth in Self Employment (TRYSEM) program, which provided three months' paid training to village embroidery groups. Additionally, the Gujarat State Handicraft Corporation in 1994 worked out a plan to purchase goods monthly from 10 DWCRA groups, and the All India Handicraft Board provides assistance in product design and development. Finally, the Department of Rural Development helped SEWA set up the Banascraft marketing outlet in Ahmedabad.

The program may require future donor funding to expand. The publication "Banascraft: A Case Study in Rural Marketing" (Nanavaty, 1998), based on a presentation given at the National Workshop on Rural Marketing sponsored by the Council for Advancement of People's Action and Rural Technology (CAPART), calls for CAPART and other donors to provide money for activities such as business planning, R&D, and sales promotion. The paper's author concludes that, "The fierce, competitive, fast-changing market calls for special and large investment, by both the Government and developmental institutions and agencies."

BEST PRACTICES INDICATORS

Table 4: Goal 1—Increase Outreach

BDS Market Development Indicators

Objective	Indicator	Relevance and Usefulness
Expand the BDS market	Market size	Currently: Limited time-series data useful for tracking BDS utilization by crafts groups but not by individuals. Good data for marketing but not for other forms of BDS. Potentially: Longer-range, finer-grained data would allow comparison of prices and impacts of different types of BDS at the individual level. These data could potentially be useful in comparing BDS from individual traders and moneylenders with costs of BDS from Banascraft, which would better indicate the degree of market development or contraction over time.
	Craftswomen's sales	
	Market penetration	
Develop a high-quality, diverse, competitive market	Number of regular BDS providers	
	Number of BDS products	
	Well-distributed, wide price range for BDS services	
	Average price for BDS	
	Number and percentage of multiple-use customers in the market	
	Market distortion: average subsidy content of BDS services	Currently: Little quantitative data available. Potentially: Estimating the value of outside inputs and subsidies from donors, government, and other nonprofits would be useful for understanding market impact and for determining the real cost of BDS.
Increase access of underserved groups to BDS	Extent of access: number and percentage of BDS customers representing poor craftswomen in Banaskantha District	Currently: Group-level data indicate that entire target group already has full BDS access. Potentially: Finer-grained longitudinal data on individuals could be used to analyze changing usage of BDS from traders and moneylenders vis-à-vis Banascraft, showing changes in BDS market size and character.
	Target market penetration: number and percentage of potential groups of poor craftswomen reached in Banaskantha District	

Table 5: Goal 2—Sustainability and Cost-Effectiveness

Assessing BDS Suppliers

Objective	Indicator	Relevance and Usefulness
Achieve supplier sustainability	Recovery of operational costs from client fees	Currently: The best data available address marketing. Useful measure of sustainability for this area of BDS. Potentially: Similar measures could be developed for other areas of BDS, but only if Banascraft changes the way these activities are organized (for example, charging fees to individuals for specific services and keeping track of the cost of providing each BDS type).
Improve program cost-effectiveness	Simplified cost/benefit assessment comparing total program costs with aggregate program benefits to women's groups	Currently: Banascraft was unable to provide coherent cost information necessary for these calculations. Potentially: If Banascraft were to develop the appropriate accounting procedures, longitudinal data segregated according to BDS category would be useful.
	Total cost per group served	
	Total cost per supplier assisted	
	Total cost per increase in revenue	

Table 6: Goal 3—Impact

Assessing BDS Customers, SMEs

Objective	Indicator	Relevance and Usefulness
Increase customer acquisition of BDS	Customer satisfaction with marketing service	Currently: No direct data available. The number of women continuing to participate in the program can be taken as a proxy measure of satisfaction. Potentially: Although Banascraft's staff may have close enough interaction with craftswomen to understand how well their needs are being met, some type of formal survey could provide more concrete, formal indicators that donors might prefer.
	Number of repeat customers	Currently: Data on number of groups marketing through Banascraft every month provide a serviceable indicator. Potentially: Data on individual use of the whole range of Banascraft services would provide more definitive answers. Drop-out rates could provide a negative proxy.
Increase customer use of BDS	Percentage of customers who have improved their business practices (reduced costs, found new markets, and so on)	Currently: Little quantitative data available other than growth in gross income from marketing. Potentially: Banascraft could analyze changes in prices paid for raw materials or calculate the number of women improving their technical-skill ratings. The program could also track changes in individual income from crafts.

Increase customer benefits from BDS	Change in value added (craft sales, raw materials)	Currently: Banascraft provided numbers for 1997-1998 (US$660,000) and 1998-1999 (US$80,000), but they were obviously not credible. Potentially: Longitudinal tracking of value added would be valuable, especially if the relative importance of factors such as changes in raw materials and skill upgrading could be determined.

The above tables only address the specific indicators already in the PMF as they relate to the goals specified. However, many of the indicators can be used for measuring other aspects of BDS programs as well. For example, average subsidy content reflects not only the degree of market development but also organizational sustainability. In other cases, one indicator may be taken as a proxy for another (for example, the number of repeat customers can also be used as a measure of customer satisfaction).

Measuring the impact of subsidies using the PMF is a particularly thorny issue. At a basic level, simply defining what constitutes a subsidy can be difficult. Everything from free training and product development assistance to start-up capital from donors could be viewed as a type of subsidy. Once having defined subsidies, determining their impact on BDS markets is fraught with further complexities. Free government-provided assistance, for example, may be theoretically available to all, but whether this in fact promotes a "level economic playing field" and a more vigorous market environment is open to question. The fact that Banascraft finds it necessary to help women access so-called "public goods" is a case in point.

There are also many possibilities for expanding the range of PMF indicators and even enlarging some of the categories themselves. For instance, some of the forces that might otherwise be considered externalities or distorting influences could be reconceptualized as forces acting within the market, broadly defined. From this perspective, government programs and donors could be viewed as potential BDS competitors, partners, or clients for organizations like Banascraft.

CHAPTER FOUR
CONCLUSIONS

Despite the inadequacy of the available Banascraft data for many of the PMF indicators, the field test does highlight several important issues and conclusions regarding the ultimate usefulness of the framework:

- Is the PMF sensitive enough to describe effectively the wide variety of existing BDS types? The framework as it stands is a very blunt instrument for diagnosing the performance of a broad range of different BDS organizations.

- What is the quality of the data used to produce the PMF indicators? The PMF is only as good as the data that go into it. The GIGO principle—"garbage in, garbage out"—is relevant here. Therefore, issues of data collection are centrally important.

- What is the framework being used for? The PMF has various possible uses, and its utility and relevance depend largely on who is using it and why.

- Market development is obviously a central goal of development worldwide, but the potential for dynamic, competitive markets varies dramatically from area to area. The PMF need not be used only to tell us whether the goal of market development is being achieved; it can also indicate the degree to which this may be a desirable and realistic near-term goal in particular geographical and socioeconomic contexts.

STRENGTHENING THE FRAMEWORK

Considering that BDS organizations can specialize in everything from accounting training to marketing assistance, it may be too much to expect that all forms of BDS can be meaningfully summarized and compared according to a single page of standard indicators. Some very broad indicators, such as the number of clients served or target market penetration, may be useful in comparing the full range of BDS organizations. Little value is gained, however, by comparing indicators such as the average price of BDS without considering BDS type and market context. Instead, BDS organizations should be classified according to the type of goods or services they provide and perhaps the geographical markets they serve. A few central, broadly applicable indicators could still be used as universal measurements to compare BDS organizations of all types, but most indicators should only be used in comparing BDS suppliers of similar types.

DATA COLLECTION

Even a perfectly designed measurement framework for BDS is useless without meaningful data to put into it. The poor quality of much of the available information on Banascraft raises several central issues about the data used to get at the PMF indicators:

- Where does the data come from?

- How is the reliability of the data to be measured?

With these questions in mind, a standard rating system to measure data quality would be desirable.[5] In such a system, a complete PMF containing data that have been thoroughly verified and cross-checked by an outside auditor would earn the top ("AAA") rating. Conversely, those BDS practitioners able to supply only data that have not been independently verified would receive the lowest rating. (Note that in this system, a low rating would not necessarily indicate that the data supplied are wrong, just that they have not been independently verified.)

RELEVANCE OF THE PMF FOR DONORS VERSUS PRACTITIONERS

What constitute "best practices" clearly depends on the goals of the person or organization defining these practices. Donors and practitioners may or may not have the same operational priorities for and definitions of organizational "success." For example, Banascraft is reaching a target clientele similar to that sought by many microenterprise development donors (poor women entrepreneurs), but it does not function in as businesslike a fashion as many donors might prefer. For the staff of Banascraft, however, this is a "non-issue." To them, uplifting and empowering underprivileged women by bringing them together in village associations is the main priority; making profits through handicraft sales is simply a means to that end. Thus, the women of Banascraft politely went along with our attempts to squeeze data describing village craft groups into the PMF, even though the guiding principles behind it do not correspond closely to the priorities of their organizations. To them, classifying village craft groups as SMEs probably seems not just inappropriate but absurd.

Perhaps the fairest question that can be asked when judging the PMF is how useful it is in teasing out indicators that are generally useful for a wide range of BDS programs.
In many cases, donors and practitioners will have different needs for PMF data. The PMF has obvious utility for donors who want to measure the performance of BDS organizations they are funding or considering funding. The BDS facilitator and provider organizations on the receiving end of these funds also have a clear incentive for generating PMF data, if only to please donors.

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[5] Such a system has already been developed in the field of microfinance by Calmeadow, in the *MicroBanking Bulletin*, a semi-annual publication providing financial performance reporting for microfinance institutions worldwide.

For donor-supported projects, a reasonable way of setting PMF targets would be to have donors collaborate with practitioners to develop suitable indicators that are well tailored to the particular needs of both organizations. This collaboration might occur most profitably after the donor has agreed to provide money for a particular BDS project but before the funds have been disbursed.

In some cases, organizations like Banascraft may not be looking for donor support. For them, good publicity, instead, could be a powerful motivator to collect and disseminate PMF data (a standard rating system would further strengthen the incentive to publish good-quality information).

Another motivating factor for practitioners to use the PMF would be its value for internal evaluation of their organizations. As noted above, the PMF is currently not very useful for comparing different BDS suppliers, but it can be very practical for analyzing changes occurring within an organization over time. The indicators can therefore provide useful tools for practitioner "self-diagnosis" and subsequent program improvements. These improvements could take the form of redesigned services, increased efficiency, better targeting of clientele, and, ultimately, greater sustainability.

ORGANIZATIONAL VERSUS MARKET DEVELOPMENT

What are the broader lessons one can draw about market development from the Banascraft case study? Considering the poorly developed economy of the Banaskantha area, its sparse population, and the remoteness of the villages where the artisans live, a complete market development approach to the local handicraft industry is perhaps unrealistic for the near future. The current approach of the Banascraft program is probably the only viable one at this time. The organization has helped women organize themselves, learn new business skills, improve their traditional craft techniques, and form commercial networks extending far beyond their local area. The results achieved—the creation of a relatively sustainable BDS project with a major positive effect on the living standards of poor local women—are impressive, given the prevailing constraints.

Another instructive aspect of the Banascraft case—and one that cannot currently be resolved, given the paucity of data—is the degree to which a single provider organization can block or promote the BDS market. For example, the new types of craft and business training provided (or, perhaps more accurately, facilitated) by Banascraft complement and reinforce rather than replace traditional village-based craft training. Determining Banascraft's effect on the craft market of Banaskantha District as a whole is more complex. Even though Banascraft's staff applauds the demise of the traders who supposedly "exploited" local women in the past, accurately measuring Banascraft's impact on the marketing structures previously in place in Banaskantha District would require more research. All things considered, however, it seems reasonable to conclude that the economic impact of the Banascraft program has generally been beneficial for both craftswomen and their communities, and that the program, on balance, has probably done more to promote local market development than to hinder it.

An important lesson from Banascraft for donors is that an initial focus on organization building can lay the groundwork for later market development. In rural areas where market institutions are underdeveloped and the population of potential clients is small and diffuse, an initial strategy focusing on promoting a single well-designed program may be the most effective means of achieving optimal sustainability, impact, and outreach in the short and medium terms. As with any situation in which donor money supports a single BDS supplier, there exists the danger that this sort of support could retard the future growth of a vigorous market. Ideally, however, the foundations laid by organizations like Banascraft, which have already achieved high levels of sustainability, might allow for the creation in the long term of a more dynamic, better-integrated market, as clients expand their enterprises, develop better business skills, and forge closer links with outside buyers and suppliers.

THE FUTURE OF THE PMF

This attempt to apply the PMF to the Banascraft BDS program suggests several broad conclusions relevant to the development of microenterprise best practices. The framework is potentially useful on several levels:

- As a tool for BDS practitioners to evaluate and track the activities of their own organizations.

- As a tool for donors to compare and evaluate different BDS suppliers and their impact on the larger BDS market.

- As a possible future standard for the BDS field. If accepted by the field as a whole, the PMF could help promote greater transparency and a more businesslike approach among BDS providers.

If the PMF is to fulfill any of these potentials, however, it requires further development. It should be refined so that it can be applied to a wide variety of BDS organizations in a more meaningful and sophisticated way. The goal of fine-tuning the PMF should, however, be balanced with its ease of use. The PMF is meant as a “quick and dirty” means of assessing BDS suppliers, their customers, and the larger markets of which they are a part. Ideally, it should contain enough detail to offer donors a broad-brush picture of BDS supplier activities and market conditions, while being flexible and straightforward enough to benefit a wide range of BDS practitioners. The PMF as it stands is a useful first step in this direction.

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